

VZCZCXYZ0000
RR RUEHWEB

DE RUEHHE #0019/01 0151533
ZNR UUUUU ZZH
R 151533Z JAN 10
FM AMEMBASSY HELSINKI
TO RUEHC/SECSTATE WASHDC 5372
RUCPDOG/USDOC WASHDC
RUCPCIM/CIMS NTDB WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS HELSINKI 000019

DEPT FOR EB/IFD/OIA, PASS TO USTR
SIPDIS

E.O. 12958: N/A
TAGS: [EINV](#) [EFIN](#) [ETRD](#) [USTR](#) [OPIC](#) [ELAB](#) [KTDB](#) [PGOV](#) [FI](#)
SUBJECT: INVESTMENT CLIMATE STATEMENT 2010 - FINLAND

REF: SECSTATE 124006

¶1. The following is Embassy Helsinki's response to reftel regarding features of the investment climate in Finland.

A.1. Openness to Foreign Investment

The Finnish Government is open to direct foreign investment. There are no general regulatory limitations relating to acquisitions. Legislative control of mergers and acquisitions is mainly governed by domestic and EU competition rules. Certain acquisitions of large Finnish companies may require follow-up clearance from the Ministry of Employment and the Economy in accordance with the Act on the Control of Foreign Acquisitions of Finnish Companies. The purpose of the clearance is to protect essential national interests.

Unlike many other countries, however, Finland does not "positively" discriminate in favor of foreign-owned firms by giving them tax holidays or other subsidies not available to other firms in the economy. Instead, Finland relies on "condition-providing policies" which means pursuing policies that offer all firms in the economy appropriate conditions and sufficient pools of advanced factors of production, including an educated labor force and well-functioning infrastructure.

There are some legal requirements for non-European Economic Area (EEA) residents (persons or companies) to conduct business in Finland. In certain areas involving specific safety or health hazards or financial risks, specific conditions must be met to conduct trade. A non-EEA (person or company) operating in Finland must obtain a license or a notification when starting a business in the "regulated" forms of trade. Licensed trades are governed by acts and decrees. A list of licensed trades can be found at:

<http://www.yrityssuomi.fi/default.aspx?NodeID=15806>

The Aland Islands are an exception to common Finnish practice. Based on international agreements dating from 1921, property ownership and the right to conduct business are limited to only those individuals with right of domicile in the Aland Islands. However, the Aland Government can, occasionally, grant exemptions from the requirement of right of domicile for those wishing to acquire real property or conduct a business in Aland.

In 2006, the United States and Finland signed a protocol amending the existing bilateral income tax treaty significantly reducing tax-related barriers to

trade and investment flows between the countries. For more information, see section A. 14 - Bilateral Investment Agreements

The salary and fringe benefits paid to qualifying foreign key employees, such as employees with special knowledge or competence, are taxed at the rate of 35 percent during a maximum of 48 months of the assignment in Finland provided that the employee has a special tax card (which must be applied for separately).

For detailed tax guidance see Finnish Tax Administration's Tax Guide:

http://www.vero.fi/default.asp?domain=VERO_ENGLISH&language=ENG

and the Finnish Foundation for Share Promotion's Tax Guide for Investors:

<http://www.porssisaatio.fi/en/articles/tax-guide>

A number of different organizations collect economic indicators for Finland. Indicators for the year 2009 include:

Millennium Challenge Corporation:
Government Effectiveness Index 1.95
Rule of Law Index 1.87
Control of Corruption Index 2.34
Fiscal Policy Index 64.3
Trade Policy Index 85.8
Regulatory Quality Index 1.58
Business Start Up Rank #30, 2010 (#20, 2009)
Natural Resource Management Index 9.4
Natural Resource Management Rank #4

Transparency International Corruption Index:
Index: 8.9
World Ranking: #6

Heritage Economic Freedom Report:
Index: 74.5
World Ranking: #7
European Ranking: 9#

World Bank Doing Business Report:
2010 Ranking: #16
2009 Ranking: #14

A.2. Conversion and Transfer Policies

Except for those relating to money laundering, there are practically no legal obstacles to direct foreign investment in Finnish securities and exchange control regarding payments into and out of Finland. There is no limit on dividend distributions, as long as they correspond to a company's official earnings records. Payments to or from Finland must, however, be made through authorized banks in Finland.

Finland implemented the EU regulation on controls of cash being transported over the Eu Community Border in June 2007. According to the regulation persons carrying USD 14,500 (EUR 10,000) or more will be required to declare cash upon entering or leaving EU territory. The regulation only imposes an obligation to declare, it is not a restriction or prohibition regarding imports and export of cash.

Finland adopted the single currency (the Euro) on 1 January, 1999. The Euro replaced the Finnish Markka (FIM) at the end of a three-year transition period on January 1, 2002. One Euro equals FIM 5.94573.

A.3. Expropriation and Compensation

Private property rights are well protected in Finland. Private property is only expropriated for public purposes (eminent domain), in a non-discriminatory manner, with reasonable compensation, and in accordance with established principles of international law.

A.4. Dispute Settlement

There is no record of any significant investment dispute in Finland in recent years. Finland has a civil law system. Swedish law and Nordic tradition have influenced statutory law and jurisprudence. EC law is directly applicable in Finland and takes precedence over national legislation. Finland has written and consistently applied commercial and bankruptcy laws, and secured interest in property are recognized and enforced.

Finland has signed the Convention on the Settlement of Investment Disputes between States and National of other States (also known as the ICSID Convention or the Washington Convention) on July 14, 1967 and deposited its instrument of ratification on January 9, 1969. Finland has attained status as Contracting State to the ICSID Convention on February 8, 1969. Finland signed the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards in December 1958. The convention entered into force in Finland in April 1962.

The Arbitration Institute of the Central Chamber of Commerce of Finland, established in 1911, promotes as an impartial body the settlement of business disputes by arbitration. The Institute appoints arbitrators both to domestic and international arbitration proceedings. For more information see:

<http://www.arbitration.fi/en/indexen.html>

The Market Court was established in 2002 as a special court for rulings in market law, competition and public procurement cases.

Major revisions to the Finnish competition legislation took effect in May 2004. The Act on Competition Restrictions was harmonized with EU competition rules.

A.5. Performance Requirements/Incentives

There are no performance requirements or commitments imposed on foreign investment in Finland. However, to conduct business in Finland, some residency requirements must be met; the intent being to ensure that persons liable for the company's acts can be brought to court if necessary.

In 2003 the Finnish Parliament has adopted legislation which relaxed the domicile requirements in Finnish company law. According to the amendment, the managing director and at least one member of the board of directors (and the supervisory board, if any) of a Finnish limited liability company must be domiciled within the EEA. The nationality of the founder is thus irrelevant.

Foreign-owned companies are eligible for government incentives on an equal footing with Finnish-owned companies. Support is given in the forms of cash grants, loans, tax benefits, equity participation, guarantees and employee training.

Business aid: In Finland, government-administered aid to business (investment aid, aid to business

development, start-up subsidies, transport aid, energy subsidies, employee training, tax relief) is mainly aimed at improving the long term competitiveness of small and medium-sized enterprises (SMEs). Business aid to companies is coordinated by 15 Centre for Economic Development, Transport and the Environment providing consulting and training as well as financial aid. For more information see:

<http://www.ely-keskus.fi/en/Pages/default.asp> x

Loans and guarantees by Finnvera: The state-owned financing company Finnvera plc improves and diversifies the financing possibilities of companies by granting loans, guarantees, venture capital investments and export credit guarantees. Finnvera serves its clients through 15 regional offices and through the Representative Office (Finnish-Russian Innovation Center) in St. Petersburg. For more information see:

<http://www.finnvera.fi/eng>

R&D incentives by Finnish Funding Agency for Technology and Innovation (Tekes): Funding by Tekes is intended for challenging and innovative projects potentially leading to global success stories. Tekes funding is aimed at companies and other organizations operating in Finland and actively developing their technology, services and business operations. The funding also supports the establishment and expansion of start-up companies. For more information see:

<http://www.tekes.fi/en/community/Funding%20and%20services/346/Funding%20and%20services/1238>

EU-funded support: The EU-funded programs aim to diversify the economic and business structure and to improve employment. This is done by supporting the establishment and development of small and medium-sized enterprises and the expansion of their activities. Financing is directed to projects developing the competitiveness, know-how and operating environment of the SME sector, with a special emphasis on start-up businesses and service sector companies.

Invest in Finland Bureau, a government agency promoting foreign investments into Finland, assist international companies in finding business opportunities in Finland and provide all the relevant information and guidance required to establish a business in Finland. For more information see:

<http://www.investinfinland.fi/>

A.6. Right to Private Ownership and Establishment
Private ownership and entrepreneurship is normal in Finland. In most fields of business activity, participation by foreign companies or individuals is unrestricted. As the government pursues privatization of state-owned companies, both private and foreign participation is welcome except in some enterprises operating in sectors related to national security.

Competitive equality is the official standard applied to private enterprises in competition with public enterprises. Private companies do not face discrimination. With the end of the Restriction Act in January 1993, Finland removed most restrictions on foreign ownership of property in Finland. Restrictions, such as requirements to obtain permission of the local government in order to purchase a vacation home in Finland were abolished January 1, 2000, bringing Finland fully in line with EU norms.

A.7. Protection of Property Rights

Secured interest in property, both movable and real, are recognized and enforced. The Finnish legal system protects property rights, including intellectual property, and Finland adheres to numerous international agreements concerning intellectual property. Finland has joined the most important copyright agreements. Patent rights are consistent with international standards. In Finland a granted patent applies for 20 years. The time of validity of patents can under certain conditions be prolonged through a Supplementary Protection Certificate. In 1996, Finland joined the European Patent Convention (EPC) and the European Patent Organization (EPO). Finland is a member of WIPO, and participates primarily through its membership in the EU. The idea of protection of intellectual property is well developed.

Finland Joined WIPO's Patent Law Treaty (PLT) in March 2006.

Pharmaceutical Patents: In 2008, the Finnish government approved a pharmaceutical reference pricing system, a provision of which undermines the patent protection of medicines created and manufactured by non-Finnish pharmaceutical companies. The reference price system legislation took effect on April 1, 2009. Previously, under Subsection 2 of Section 57(c) of Finland's Medicines Act, pharmaceuticals were excluded from the Government's generic substitution system if they were protected by an analogous process patent in Finland and they enjoyed product patent protection in at least five other countries in the European Economic Area. Section 57 recognized in a balanced and fair manner, the intellectual property of process patent holders in Finland.

The reference pricing scheme passed by the Finnish

parliament in November 2008 ended the 57(c) arrangement. By subjecting products protected by process patents to the reference pricing restrictions applicable to generic products, the new law deprives pharmaceutical process patent holders in Finland of appropriate compensation for the value of the intellectual property they created in the original products.

Information on copying and copyright infringement is provided by the following copyright holder interest organizations: the Copyright Information and Anti-Piracy Center (CIAPC), The Finnish Copyright Society, The Finnish Copyright Institute, the Copyright Information Centre, and The IPR University Centre. The Business Software Alliance (BSA), a worldwide software anti-piracy organization, began operations in Finland in January 1994.

Finland has been a member of the Paris Convention for the Protection of Industrial Property since 1921, the Berne Convention for the Protection of Literary and Artistic works since 1928 and the Rome International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations since 1983.

Finnish copyright legislation was amended in 2005 to meet the demands of the digital environment and the internet. The amendments to the Copyright Act and the amended section 49 of the Criminal Code came into force from the beginning of 2006. This reform implemented the Copyright Directive adopted by the EU in 2001. The amendments also addressed a number of national issues, such as the prohibition of importation of pirate recordings for personal use.

Finland signed the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) in May 1997, and the Finnish Parliament adopted the treaties

in autumn 2005.

The Finnish Copyright Act, which also grants protection to authors, performing artists, record producers, broadcasting organizations and catalog producers, has been adjusted to comply with EU directives. As part of this harmonization, the period of copyright protection was extended from 50 years to 70 years. Protection for database producers (currently a part of catalog producer rights) has been defined consistent with EU practice. The Finnish Copyright Act provides for sanctions ranging from fines to imprisonment for up to two years. Search and seizure are authorized in the case of criminal piracy, as is the forfeiture of financial gains. The Copyright Act has covered computer software since 1991.

Finland has acceded to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS, 1994) which constitutes an Annex to the WTO Agreement. The TRIPS treaty, which took force in 1995, contains regulations governing the enforcement of intellectual property rights, i.e. industrial property rights and copyright.

Recent amendments to the Finnish Penal Code have enhanced the position of employers in regard to the protection of their business secrets, with employees now required to keep a former employer's business secrets confidential for two years after termination of employment.

The Trade Mark Act, which came into force in March 2000, brought Finnish Trade Mark Law into line with the Trade Mark Treaty (TMT). Finland signed the Singapore Treaty on the Law of Trademarks in October 2006.

The significance of mortgage banks has remained minor as deposit banks have traditionally handled housing loans in Finland. The Mortgage Society of Finland is operating in accordance with designated special legislation.

A.8. Transparency of the Regulatory System

The legal and enforcement framework for competition conforms to European Community praxis. Finland brought its law into full conformity with the prohibition-based system of EC competition law in May 2004.

The Securities Market Act (SMA) contains regulations on corporate disclosure procedures and requirements, responsibility for flagging share ownership, insider regulations and offenses, the issuing and marketing of securities, and trading. The law defines and takes into account new instruments, which have become common in financial markets, such as securities lending and repurchase agreements. Finnish legislation recognizes the same internationally common financial market contractual arrangements as legislation elsewhere in the EU. Regulations concerning clearing of securities trades have been incorporated in the law since 1998. Clearing has become subject to licensing, and is supervised by the Financial Supervision Authority, which oversees the financial markets.

Finnish tax, labor, health and safety, and related laws and policies are largely neutral towards the efficient mobilization and allocation of investment. Finnish legislation does not normally influence regional distribution of investment except when specifically designed to do so, such as through regional incentive programs.

In Finland, the Act on the Openness of Public Documents of 1951 established the openness of all records and

documents in the possession of officials of the state, municipalities, and registered religious communities. Exceptions to the basic principle could only be made by law, or by an executive order for specific enumerated reasons such as national security. The openness of unsigned draft documents was not mandated, but up to the consideration of the public official. This weakness of the law was removed when the law was revised in the 1990s. The revised law, the Act on the Openness of Government Activities of 1999, also extended the principle of openness to corporations that perform legally mandated public duties, such as pension funds and public utilities, and to computer documents. For more information see:

<http://www.om.fi/23963.htm>

A.9. Efficient Capital Markets and Portfolio Investment

Credit is allocated on market terms and is made available to foreign investors in a non-discriminatory manner. The private sector has access to a variety of credit instruments. Legal, regulatory, and accounting systems are transparent and consistent with international norms.

The Helsinki Stock Exchange has since September 2003 been part of OMX, referred to as OMX Helsinki (OMXH). Since NASDAQ's acquisition of OMX in February 2008 the official name of the Helsinki exchange has been NASDAQ OMX Helsinki. OMX Helsinki is part of the NASDAQ OMX Nordic division, together with the stock exchanges in Stockholm, Copenhagen, and Iceland.

Compared to the international average, the number of banks in Finland is high. The reason for this is the high number of savings banks, Local Cooperative Banks and banks in OP-Pohjola Group. At the end of 2008, there were 336 banks operating in Finland, 322 of them domestic. The total assets of the domestic banking groups and branches of foreign banks (Nordea Bank Finland, OP-Pohjola Group, Sampo bank, Aktia Group, Savings Banks (excl Aktia), Local co-operative Banks, Bank of Åland, Tapiola Bank Group, Hypo Group, and largest Nordic banking groups (Danske Bank Group, Nordea Group, SEB Group, Handelsbanken Group, DnB NOR bank Group, Swedbank) amounted to 2.1 billion euro in 2008. For more info see Federation of Finnish Financial Services "Finnish Banking in 2008" report http://www.fkl.fi/www/page/fk_www_3919 Increased mergers and alliances have been shaping the Finnish banking sector in recent years. The banking and finance market has become increasingly international, with Scandinavian banks particularly active in cross-border mergers and acquisitions. Finnish banks' profitability, efficiency and capital adequacy are all at a healthy level.

Hostile takeovers have not in the past been part of the Finnish business culture and Finnish law does not distinguish between friendly and hostile takeovers. Finnish legislation does not expressly address takeover defenses. In Finnish law, the legality of takeover defenses is evaluated primarily in light of the leading principles of the Security Markets Act (SMA), the principle of equal treatment of all shareholders, and general principles of company law. If challenged, the legality of the defensive measures is subject to review by the courts.

Finland changed over to the Single Euro Payments Area (SEPA) in January 2008. The system began with credit transfers and cards, and direct debit will be taken into use on 1st of May 2010, when the New Payment Law enters into effect. SEPA replaces 32 national payment systems in Europe with one single European system working with uniform standards and regulations.

A.10 Competition from state owned enterprises

Duties relating to state ownership steering are handled in the Ownership Steering Department in the Prime Minister's Office. The department is responsible for state ownership policy, the ownership steering of state-owned companies under the Prime Minister's Office, expansion of ownership base, branch re-organizations, share investments, coordination of ministries' ownership steering procedures and inter-ministerial cooperation. The Minister responsible for Ownership Steering in the Prime Minister's Office is Minister Jyri Hakamies.

The Finnish State is the majority owner in seventeen and a significant minority owner in twenty-two companies which operate on market terms. In addition, the State is an owner in fifteen special assignment companies which have been assigned a certain task by the State or which do not operate in a competitive environment due to a granted exemption.

A list of state owned companies can be found here:

<http://www.valtionomistus.fi/yhtiöt/en.jsp>

The State's objective as a shareholder is to provide consistent and predictable solutions and act as openly as possible. The most important ownership policy tools include Government resolutions, statements of the Cabinet Committee on Economic Policy and recommendations and statements by the responsible Ministries. All of the aforementioned documents are public and thereby available to all market actors.

The Guidelines "Handling of Corporate Governance Issues in State-owned Companies and Associated Companies", dated 13th November 2000, is an important instrument in the State's corporate governance policy. The Guidelines stress, among others, the independence of the Board of Directors and its goal to aim at increasing the shareholder value. The State has since Spring 2006 published (in Finnish) on the internet pages salaries and remunerations of the company management and board in individual state-owned companies and associated companies.

The number of state-owned companies with a supervisory board is 11. They are Alko Inc., Finnish Fund for Industrial Cooperation Ltd, Finnvera plc, Fortum Corporation, Itella Corporation, Kemijoki Oy, Neste Oil Corporation, Vapo Oy, Oy Veikkaus Ab, VR-Group Ltd and Yleisradio Oy. In addition, there is a supervisory board in two associated companies, namely in Gasum Corporation and Rautaruukki Corporation.

The State has direct holdings in 3 listed companies, namely Finnair Oyj, Fortum Corporation and Neste Oil Oyj. In addition, the State has indirect shareholdings via Solidium, a wholly state-owned holding company, in 9 associated companies: Elisa Oyj, Kemira Oyj, Metso Corporation, Outokumpu Oyj, Rautaruukki Corporation, Sampo Group, Sponda Plc, Stora Enso Oyj and TeliaSonera AB.

A.11 Corporate Social Responsibility

Finland is committed to compliance with and the promotion of corporate social responsibility by supporting the implementation of international codes of conduct guiding the operations of multinational enterprises. Such international codes of conduct include the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, and the Tripartite

declaration of principles concerning multinational enterprises and social policy by the ILO. These include instructions and rules of conduct concerning the financial, ecological and social responsibility of enterprises, such as human rights, rights at work, the abolition of child labor, the environment, anti-corruption measures, consumer protection and science and technology.

Having committed to these guidelines, Finland strives to influence Finnish companies so that they operate sustainably and responsibly in all countries. Compliance with the guidelines is voluntary for enterprises. Furthermore, business and non-governmental organizations have compiled corresponding recommendations for enterprises.

The Committee on Corporate Social Responsibility, operating in connection with the Ministry of Employment and the Economy, is the National Contact Point that monitors the application of the OECD Guidelines for Multinational Enterprises in Finnish multinationals.

In Finland, the Securities Market Association established by the Central Chamber of Commerce, the Confederation of Finnish Industries EK and NASDAQ OMX Helsinki Ltd has developed and updated the Finnish Corporate Governance Code for companies listed on the Helsinki Stock Exchange. The Code harmonizes the practices of listed companies as well as the information given to shareholders and other investors. It also improves the transparency of administrative bodies, management remuneration and remuneration policies. The aim of the Code is that Finnish listed companies apply corporate governance practices that are of a high international standard.

A.12. Political Violence

There have been no instances of political violence since the struggle for independence in 1918.

A.13. Corruption

Corruption in Finland is covered by the Criminal Code and provides for sanctions ranging from fines to imprisonment for up to four years, depending on the seriousness of the crime. Both giving and accepting a bribe is considered a criminal act under the Criminal Code. Finland has statutory tax rules concerning non-deductibility of bribes.

Finland does not have an authority specifically charged with the prevention of corruption. Co-ordination of horizontal and international co-operation anti-corruption matters is the responsibility of the Ministry of Justice. However, Finland's anti-corruption contact point for EU purposes is in the Ministry of the Interior and the National Bureau of Investigation has an officer whose full-time duty is to follow matters related to corruption in Finland.

Over the past decade, Finland repeatedly has placed first or second on Transparency International's Corruption Perceptions Index (CPI), indicating extraordinarily low perceived levels of corruption, as determined by expert assessments and opinion surveys. However, Finland's CPI score decreased from 9.4 in 2007 to 8.9 in 2009, ranking Finland sixth on the list of least corrupt countries, mainly due to concern about a lack of transparency in election campaign finance. In May 2008, the Ministry of Justice appointed a Committee on Election and Party Funding to prepare a proposal for the reform of the laws regulating the funding of political parties and election candidates. In September 2008 a provision on the itemization of campaign costs

was added by way of a partial amendment (Act 604/2008) to the 2004 Act on the Disclosure of Election Financing. The reporting threshold for individual campaign contributions in municipal elections was cut from USD 2,266 (EUR 1,700) to USD 1,333 (EUR 1,000). A new law on candidates' election funding (The Act on a Candidate's Election Funding 273/2009) was enacted in May 2009, containing far stricter provisions than the previous piece of legislation. For one thing, the threshold of donations above which the identity of the donor is to be disclosed was lowered and oversight was tightened by introducing substantial supervision in addition to the earlier formal control. Preparations for legal reform to the party funding and incriminations laws are still underway. Another committee was appointed in autumn 2008 to prepare the implementation of stricter provisions concerning bribery of members of the Finnish Parliament (the Act on Political Parties). If this law is approved by Parliament it will dramatically increase the transparency of party funding in Finland.

Transparency International's (TI) national chapter Transparency Finland (TF) was founded in late 2003. TF's prime objectives are informing and educating about international treaties, corruption and the consequences of corruption. In addition TF strives to spread awareness of the problems and threats facing good governance. More information can be found at:

<http://www.transparency.fi/english.htm>

Finland is a signatory to the OECD Convention of Anti-Bribery. The instruments of ratification of the convention were deposited in December 1998. The amended Penal Code entered into force in January 1999. The convention entered into force in February 1999. Finland ratified the UN Convention against Corruption in July, 2006.

Finland ratified the Council of Europe Civil Law Convention on Corruption in October 2001 (which entered into force in November 2003) and then signed the UN Convention against Corruption in December 2003. The Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime entered into force in Finland in July 1994. The UN Convention against Transnational Organized Crime was ratified in February 2003.

Finland ratified the Criminal Law Convention on Corruption (EST 173) in October 2002, and the Convention entered into force in February 2003. Finland made reservations in respect of Article 12 (trading in influence) and Article 17 (jurisdiction).

Finland is a party to the 1957 European Convention on Extradition. Finland has ratified the 1959 European Convention on Mutual Legal Assistance in Criminal Matters and its 1978 Additional Protocol. Finland is a party to the 1996 Convention on Extradition between EU member States as well the 1995 Convention on Simplified Extradition Procedure between EU.

The U.S and Finland have an extradition treaty, signed in June 1976; it entered into force in May 1980. The U.S. and Finland signed a bilateral extradition and mutual legal assistance treaty (MLAT) in December 2004. The U.S. and the EU signed bilateral extraditions and mutual legal assistance (MLAT) treaties in December 2003. The Finnish Parliament ratified the agreements (HE 85/2005) and approved the necessary implementing bilateral instruments in December 2007.

A.14. Bilateral Investment Agreements

Finland has concluded bilateral investment agreements with the following 62 countries: Azerbaijan, Albania, Algeria, Argentina, Armenia, Belarus, Bosnia-Herzegovina, Bulgaria, Chile, China, Croatia, the Czech Republic, the Dominican Republic, Egypt, El Salvador, Estonia, Ecuador, Ethiopia, Georgia, Guatemala, Hungary, India, Indonesia, Iran, Jordan, Kazakhstan, Kirghizia, Kuwait, Latvia, Lithuania, Macedonia, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, Mexico, Namibia, Nigeria, Oman, Oriental Republic of Uruguay, Peru, Philippines, Poland, Qatar, Republic of Korea, Republic of Lebanon, Republic of Moldova, Republic of Slovenia, Romania, Russia, Slovakia, South Africa, Sri Lanka, Tanzania, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uzbekistan, and Vietnam.

In September 1989, Finland and the U.S. signed a convention (TIAS 12101) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital. The convention entered into force December 30, 1990. The tax convention was amended on 31 May 2006 under a protocol signed in Helsinki. The protocol changes the rules that apply to people falling within the area to which the convention applies, domicile, taxation of dividends, interest and royalties, restrictions on benefits, a method for eliminating double taxation and an exchange of tax information.

Among other things, the protocol eliminates the source-country withholding tax on many intercompany dividends and on dividends paid to pension funds, updates the dividend article to incorporate policies reflected in the U.S. Model provision, such as those regarding real estate investment trusts (REITs), eliminates source-country withholding royalties payment regardless of type of intellectual property, bringing the convention in line with the U.S. Model treaty. For more see:

http://www.treas.gov/press/releases/reports/j_s4298_attachment_finnishprotocol06.pdf .

The protocol has been passed by the Finnish Parliament, and U.S. signed the instruments of ratification in December 2007.

A.15. OPIC and Other Investment Insurance Programs

In January 1996, OPIC and Finnvera (the former Finnish Guarantee Board FGB) signed an agreement to encourage joint U.S. - Finnish private investments in Russia and the Baltic States. The 1996 agreement was preceded, in 1992, by a Principles of Cooperation Agreement between OPIC and the Finnish Fund for Industrial Cooperation (Finnfund).

Finland has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1988.

A.16. Labor

The Finnish labor force is highly skilled and well educated. Of the 2.41 million persons employed, 4.8 percent are employed in the primary sector, 24 percent in industry and construction and 71.2 percent in services.

Finland has a high unionization rate of around 76 percent, and a long tradition of social dialogue. Wage formation and labor market institutions are based on legislation and agreements. The working life legislation has been prepared on a tripartite basis by government and social partners. Collective bargaining and collective labor agreements are generally binding in nature. Finland adheres to most ILO conventions; enforcement of worker rights is effective.

Regulation of the labor market - minimum wages, working hours, working conditions etc - to a large extent takes place through collective agreements instead of parliamentary legislation. In recent years, labor market partners at the local level have been given more flexibility in enforcing the stipulations of the collective agreements e.g. concerning working time arrangements. The Act on Employment Contracts is the main regulating act applied to employment relationships. It includes the minimum conditions regarding working hours, annual leave, safety conditions etc.

The unemployment rate in November 2009 was 8.5 percent, against 6.0 percent a year earlier. The unemployed are granted compensation (labor market subsidy) which, if linked to earnings, as has been the case for about 60 percent of the unemployed, guarantees moderate income for a period up to 500 working days. Since January 2006, the labor market subsidy has had restrictions placed upon it. People without jobs after 500 days need to demonstrate that they are actively pursuing employment in order to continue receiving the benefit.

Finland is participating in an experiment taking place in the European Community, the purpose being to find out what impact a targeted reduction in value added tax has on employment and the grey economy. The value added tax rate on hairdressing services and certain small repair services (bicycle, shoe, leather product, clothes and linen repairs) has been reduced from 22 percent to 8 percent for 2007-2010.

The temporary limits on the free movement of workers from eight EU member states were not renewed, and the restrictions applied to work permits ended in Finland in May 2006. Parliament adopted the amendments to the Aliens Act fully incorporating the directive on free movement of EU citizens into national law. The Act came into force in April 2007.

Due to the aging population in Finland all sectors of the economy are estimated to face labor shortages in the future. The labor shortage issue is likely to be amplified by historic low levels of immigration; a trend which does not appear likely to change in the near to medium future.

A.17. Foreign Free Zones/Free Warehouse Areas

Finland has four Free Zones and four Free Warehouse areas. The four designated Free Zones are located in Hanko (Southern Customs District); Hamina and Lappeenranta (Eastern Customs District); and Turku (Western Customs District). The four Free Warehouses are located in Helsinki (Southern Customs District); Naantali, (Western Customs District); and Kemi and Oulu (Northern Customs District).

In Finland, the duty-free free zone and warehouse licenses have in most cases been granted to municipalities or cities, but one or several commercial operators, approved by the customs districts, are usually in charge of warehousing operations within the area. The duty-free storage areas are available to both domestic and foreign-owned companies. The free zone area regulations have been harmonized in the EU by the Community Customs Code.

See Finnish Board of Customs for more information at:

<http://www.tulli.fi/en/index.jsp>)

A.18. Foreign Direct Investment Statistics

In 2008 Finnish direct investment recorded a capital

outflow of EUR 2.3 billion. As foreign investors repatriated EUR 4.9 billion of direct investment in Finland, the result was a EUR 7.2 billion net outflow of direct investment. At the end of 2008, the value of the stock of outward direct investment was 82 billion euros and the value of the stock of inward direct investment was 56 billion euros. Finnish companies' income on foreign direct investment abroad totaled 7.4 billion euros and foreign investors' income on direct investment in Finland totaled 5.1 billion euros.

No policies exist that govern the export of capital and outward direct investment. Holders of capital, Finnish and foreign, can move funds at will.

For more FDI statistical info See Bank of Finland's "Finland's balance of payments, annual review 2008", 10/26/2009 - report

http://www.bof.fi/NR/rdonlyres/5E78C3CA-AC12-4D86-A28D-E5C293FE9FBB/0/Mtvuosi0910_en.pdf

Major U.S. investors, in terms of turnover, in Finland in 2008, include: OMG Finland (*779 million euros), Valtra/AGCO Corp (610 million euros), Hewlett-Packard (566 million euros), IBM (*480 million euros), General Medical Finland (*452 million euros), Paroc Group (*446 million euros), John Deere Forestry (*404 million euros), Foster Wheeler Energia/Foster wheeler Corp (*352 million euros), Ford (326 million euros), Tellabs (*311 million euros), and GE Healthcare Finland (*310 million euros) * = consolidated turnover.

For 2008 the Major foreign investors in terms of turnover included: Nordea (*7043 million euros), Tamro (*5534 million euros), Elcoteq (*3443 million euros), RTF Auto (3407 million euros), Luvata (*2487 million euros), ABB (*2446 million euros), Teboil (*1964 million euros), Sampo Bank (*1803 million euros), TeliaSonera (*1544 million euros), GNT Holding (*1356 million) and Yara (*1350 million euros).

BUTLER